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CIA HISTORICAL REVIEW PROGRAM
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MEMORANDUM FOR: Deputy Director for Intelligence

SUBJECT : DCI Request Regarding Soviet Economic
Performance

1. The attached statement was prepared in response to Mr. Helms' request for additional information on the performance of the Soviet economy.
2. We have not yet received the data necessary for more precise evaluation of Soviet performance during the first half of 1970. These data are expected within a few days and if they are received, we shall run a more extensive article in next week's Weekly.
3. The attachment has been coordinated with OCI.

Acting Director
Economic Research

Attachment:
As stated

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GROUP 1
Excluded from automatic
downgrading
declassification

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The Current Soviet Economic Situation

Soviet industrial output was 8.5 percent greater in the first half of 1970 than in the comparable period of last year.* This is a significant improvement over the 6.9 percent increase posted in the first half of 1969. Viewed in a longer time frame, however, the figure is less impressive. The following average annual percentage increases have been claimed for industrial production in other periods:

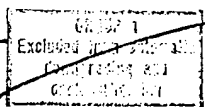
| 1951-55 | 1956-60 | 1961-65 | 1966-69 |
|---------|---------|---------|---------|
| 13.1 | 10.4 | 8.6 | 8.4 |

It should be noted that, because economic activities were hampered by unusually bad weather in early 1969, the increase in production between the first half of 1969 and the first half of 1970 includes a large element of rebound or recovery. In addition, production this year has been stimulated to some degree by widespread efforts to tighten labor discipline and by campaigns to boost production to commemorate the Lenin centenary and complete the 1966-70 plan period with a flourish.

Although the short-run picture has brightened, it is apparent that the long-run outlook for the Soviet economy has not improved fundamentally. Despite decades of strenuous development, Soviet gross national product is only half as great as the US GNP -- and only 43 percent on a per capita basis. The growth of industrial production is still in the long-run decelerating trend

* The figures cited in this memorandum are official Soviet statistics and overstate Soviet economic growth. They are believed to be fairly consistent over time, however, and therefore comparable to one another. It may be noted that the CIA estimate of the increase in industrial production in calendar 1969 was 5 percent, whereas the corresponding Soviet figure was 7 percent. Data for the first half of 1970 have not yet been received in sufficient detail to permit recalculation and deflation.

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that led Brezhnev and Kosygin to initiate the economic reform of 1965. The growth of investment is slowing. Civilian technology is far below the US level, and the speed of technological progress is unsatisfactory. The labor force is growing slowly. Agriculture employs nearly one-third of the labor force and even so is a chronic laggard. Judging by the recently announced agricultural program, agriculture probably will absorb a gradually increasing share of investment in the early 1970s as it did in the 1960s.

There is evidence of some disagreement among Soviet leaders concerning the allocation of resources among the various sectors and industries, programs to accelerate technological progress, and organizational questions. Their inability to develop new and promising approaches to these problems appears to be a factor in the late appearance of the five-year plan for 1971-75. The plan was to have been published two years ago and now is scheduled to be firmed up by next March. To date only its agricultural section has been agreed upon and published.

This year's recovery from the unusually poor economic performance of 1969, although a short-run phenomenon, should reduce the pressure on the Soviet leaders and tend to moderate their disagreements. Economic problems will seem less urgent as increasing production makes more resources available for the competing claimants. Disputes over allocations and priorities are endemic to the Soviet system, particularly during the formulation of five-year plans, but there is no evidence that the intensity of the current disputes is abnormally severe.

CIA/OER
24 July 1970

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